



STATE OF MICHIGAN

DEPARTMENT OF COMMUNITY HEALTH  
LANSING

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GOVERNOR

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DIRECTOR

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Dear Medicaid Provider:

The Health Insurance Portability & Accountability Act (HIPAA) Codes and Transactions rules become effective October 16, 2003. The purpose of this letter is to remind you of the changes being implemented by the Michigan Department of Community Health (MDCH) to comply with the rules. The changes will affect claim submission, communications you receive regarding your claims, and the way payments are issued.

Effective October 16, 2003, MDCH will accept and transmit only the national standard codes and transactions identified in the HIPAA rules. This affects the code sets utilized to complete your Medicaid claims, the codes MDCH uses to report back to providers regarding the status of claims, eligibility information, etc., and the format in which providers submit and receive electronic information with MDCH.

The only claim formats that may be submitted on or after October 16<sup>th</sup> are:

- Professional Services: ANSI X12N 837 Professional version 4010A1 electronic claim format or the HCFA 1500 paper claim form
- Institutional Services: ANSI X12N 837 Institutional version 4010A1 electronic claim format or the UB-92 paper claim form
- Dental Services: ANSI X12N 837 Dental version 4010A1 electronic claim format or the ADA 2000 paper claim form

HIPAA requirements also necessitate changes in the way MDCH currently communicates claim information to you. Effective October 16<sup>th</sup>, the ANSI X12N 835 version 4010A1 (remittance advice transaction) will replace the current electronic remittance advice (RA). This is the HIPAA mandated standard electronic remittance advice used to transfer payment and remittance information for adjudicated dental, professional, and institutional health care claims.

There is some key information related to the remittance advice transaction that providers need to know:

- Only paid and denied claims can be reported in an 835 transaction.
- Pended information will be transmitted via a 277 Unsolicited Claim Status.
- Only one 835 RA will be issued per tax identification number (TIN). Providers must designate a unique receiver for the 835. If multiple billing agents submit your claims, you must designate one agent (or yourself) to receive the 835. (Future communications will provide instructions for completing this requirement.)
- Only one payment device (check or electronic funds transfer [EFT]) will be issued per TIN. All reimbursement due to all providers enrolled under a single TIN will be combined each pay cycle. A trace number will be used to identify the check or EFT payment. (MDCH will work with providers over the next several months to implement the payment consolidation required by the 835 transaction. It is anticipated this process will be completed by January 1, 2004.

- The remittance advice will show payment balancing information at the service, claim and transaction level. The provider's Internal Medical Record Number, Line Item Control Number, and Patient Control Number will be returned when submitted on the original claim. MDCH proprietary edit codes will be replaced with standard Claim Adjustment Reason codes and Remark codes, and Gross Adjustment and Adjustment Reason codes.

The electronic RA has many advantages that include enabling providers to input payment information directly into their accounting systems. In addition, the 835 contains information not available on the paper RA.

HIPAA requirements mandate that many changes being made to our electronic transactions be carried over to our paper transactions. This includes changing some of the information being reported on the paper RA and replacing current proprietary explanation codes with the standard reason and remark codes that will also be used by all other health care insurers.

Additional information about claim completion, the remittance advice, and other changes being implemented by the MDCH will be contained in the revised billing and reimbursement chapters (Chapter IV) that will be issued to providers in early August. MDCH is also working with provider associations to develop training opportunities related to the changes.

Effective October 16, 2003, MDCH will also begin accepting and responding to inquiries using the HIPAA compliant eligibility transactions (270/271) and claim status (276/277). Information about these, and other, HIPAA transactions is available on MDCH's HIPAA website at [www.michigan.gov/mdch](http://www.michigan.gov/mdch). Providers and their billing agents are strongly encouraged to test all HIPAA transactions prior to October 16<sup>th</sup>. MDCH testing instructions and transaction companion guides are also available on the MDCH website.

As part of its overall HIPAA compliance activities, MDCH will be requiring providers to complete trading partner agreements. During the next several months, providers will receive additional information regarding the process for completing an agreement.

Sincerely,



Paul Reinhart  
Deputy Director for  
Medical Services Administration